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SIPDIS

STATE FOR EUR/SE, EB/CBA, AND EB/ESP
USDOC FOR 4212/ITA/MAC/CPD/CRUSNAK
DOE FOR CHARLES WASHINGTON

SENSITIVE

EUR ALSO FOR DAS BRYZA

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TAGS: [EPET](#) [ENRG](#) [EINV](#) [TU](#)

SUBJECT: TURKISH STRAITS BYPASS - SLOW BUT SURE
MOVEMENT

REF: ANKARA 5080

Sensitive But Unclassified.
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1. (SBU) SUMMARY: While Turkish government officials continue to assert that Samsun-Ceyhan is the best route for a "Bosphorus bypass" pipeline, regional energy company reps say a commercial consensus is forming around Burgos-Alexandropolos, with Samsun-Ceyhan a possible second bypass, particularly if oil is found in ongoing Black Sea exploration. Although neither route has emerged as a clear-cut "winner", government and industry officials have differing views on the role governments could play in overcoming commercial rivalries and creating a consensus. Meanwhile, MFA officials say they seek "strategic" cooperation on gas projects, including Trans-Caspian and a "North-South corridor" linking the Middle East, Turkey, Russia and Europe. End Summary.

GOT still set on Samsun-Ceyhan

2. (SBU) In a September 2 meeting with Econ/C and Energy Officer, GOT MFA DDG Energy Mithat Rende reiterated Turkey's long-standing preference for Samsun-Ceyhan as the Bosphorus bypass of choice to alleviate tanker pressure on the Turkish Straits. He cited environment, existing port facility and capacity at Ceyhan, and potential oil discoveries in the Black Sea as major reasons for this preference. Rende asserted that the GOT must play a facilitating role, and asked for advice from the USG on how to proceed effectively. He repeated the potential list of sponsors and participants (who have at least looked seriously at the deal): oil majors, including Total, ENI, Chevron, and TNK-BP; Calik Enerji; BOTAS; and the Russians. Note: we understand some sort of feasibility study has been completed, but not detailed engineering. End Note.

Companies Have Other Ideas

3. (SBU) Meanwhile, Chevron reps told Charge September 6 that serious progress had been made on bringing a Bosphorus bypass to realization. The Chevron officials, however, believed that Burgos-Alexandropolos was the project of choice from the standpoint of economics and work already done; but worried about the potential negative reaction of the GOT (which they suggested could manifest itself in more restrictive management of Straits traffic). They said Chevron was working closely with TNK-BP, and had been in touch with Transneft and other Russian companies to coordinate getting all players on board. Given the volumes of Russian and growing Caspian crude (even with expansion of CPC and BTC), the Chevron officials said they were giving more and more credence to the need for two Bosphorus Bypass projects. Therefore, they speculated, perhaps a case could be made for Samsun-Ceyhan first, then Burgos-Alexandropolos. The Chevron reps noted that potential oil discovery in the eastern Black Sea (still high risk) would definitely argue for Samsun-Ceyhan. Note: Chevron has stepped into Unocal's 25% share of the BP-led eastern Black Sea deep water exploration work. End Note.

4. (SBU) The Chevron reps stressed that a critical mass of companies was gelling to make bypass project(s) work on a commercial basis, mitigating the free rider - first mover risk. Even though there would remain some companies that would not play a helpful role, this would obviate the need, they thought, for a government role in fostering an industry consensus on the best

route -- as proposed both by Rende and Energy Ministry Undersecretary Demirbilek in his August 26 meeting with State/EUR DAS Bryza (ref). This view was corroborated in a separate meeting with BP Turkey country director Tahir Uysal, who told the Charge that there was strong interest in a bypass project.

Gas Projects

15. (SBU) Rende also emphasized to EconOffs his belief that governments had a strategic role to play in making other big, international deals happen, particularly in the gas sector. He cited:

- a) GOT need to consolidate and encourage gas transit; the Turkey-Greece connector being a good start.
- b) The proposal discussed by Energy Minister Guler during August 7 meetings in Jerusalem for a gas export pipeline from Ceyhan to Israel.
- c) Other transit deals such as Nabucco to Austria and Egyptian gas through Jordan and Syria to Turkey.
- d) The need for governments to encourage the Turkmen to move forward and the Azeri's to be flexible to realize trans-Caspian gas.

In addition, he noted that a deal had not yet been reached on adding Kazakh oil volumes to BTC.

16. (SBU) Comment: Thrace Development Company's (American interest) proposed trans-Thrace bypass project is not dead, but appears well back in the ranks.

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